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Suzanne Henderson

**L0207073**

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((Rev. 12-10-2007))

## OIL AND GAS LEASE

THIS AGREEMENT made this 26<sup>th</sup> day of March, 2008, between **Denise McElyea**, whose address is: **1517 Quail Run, Azle, Texas 76020**, LESSOR, whether one or more, and **Prime Resources, L.P.**, LESSEE, WHOSE ADDRESS IS **1 East Henderson, Cleburne, Texas 76031**, WITNESSETH:

1. **GRANTING CLAUSE: LEGAL DESCRIPTION.** Lessor in consideration of Ten Dollars (\$10.00) in hand paid, of the royalties herein provided and of the agreements of Lessee, herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, laying pipe lines, building roads, tanks power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, the following described land in Tarrant County, Texas (called "the leased premises"), to-wit:

## SEE EXHIBIT "B" FOR PROPERTY DISCRIPTION

This lease also covers and includes, in addition to that above described, all land, if any, contiguous or adjacent to or adjoining the land above described and (a) owned or claimed by Lessor by limitation, prescription, possession, reversion or unrecorded instrument or (b) as to which Lessor has a preference right of acquisition. For the purpose of determining the amount of any bonus and shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less. Lessor accepts the bonus as lump sum consideration for this lease and all rights and options hereunder.

2. **HABENDUM CLAUSE; PRIMARY TERM.** Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from the above date (called "primary term") and as long thereafter as oil, gas or other mineral is produced in paying quantities from the leased premises or land with which said land is pooled hereunder.
3. **ROYALTY CLAUSE.** The royalties to be paid by Lessee are: (a) on oil, twenty percent (20%) of the market value at the point of sale of all oil produced and sold from the leased premises or, at Lessor's option, twenty percent (20%) of the oil

produced and saved in kind to be delivered to Lessor at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substances produced from the leased premises or sold or used off the premises or for the extraction of gasoline or other products therefrom, the market value at the point of sale of , twenty (20%) of the gas so sold or used. In addition to the payment of Lessor's royalty, Lessee shall pay all post-production cost. For the purpose of this paragraph, "post-production cost" means all cost incurred by Lessee prior to its final sale of oil, gas, and other minerals or substances covered by this lease including, but not limited to costs for drilling, completing, operating, storing, gathering, compression, treatment, processing, transportation, dehydration and marketing. Lessor's royalty shall bear its proportionate share of (i) ad valorem taxes and (ii) production, severance, or other excise taxes. However, in no event shall the royalty paid to Lessor be less than the Lessor's royalty share of the actual amount realized by the Lessee from the sale of oil and/or gas. Notwithstanding the foregoing, Lessor's royalty shall be calculated and paid based on the price received by Lessee from a non-affiliated third party purchaser.

4. **SHUT-IN ROYALTY CLAUSE.** If, at the expiration of the primary term or at any time or times thereafter, there is any well on the leased premises or on lands with which said land or any portion thereof has been pooled, capable of producing gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on the leased premises for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on the leased premises, then at or before the expiration of said ninety (90) day period, Lessee shall pay, by check of Lessee, as royalty, a sum equal to twenty-five dollars (\$25.00) for each acre of land then covered hereby. Lessee shall make the payments at or before the end of each anniversary of the expiration of said ninety (90)-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, such payment to be made directly to Lessor at the address shown in this lease or at such other address as Lessor may designate in writing to Lessee at the address shown in this lease. If at any time that Lessee pays shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as Lessee may elect. Any payment hereunder must be made by check of Lessee deposited in the mail or delivered to the party entitled to receive payment on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this lease, severally as acreage owned by each. It is expressly understood and agreed that after the expiration of the primary term, Lessee shall not have the right to continue this Lease in force by payment of shut-in royalty for any single period of more than two (2) successive years of five (5) years in the aggregate.

5. **CONTINUOUS DRILLING CLAUSE; OFFSET WELL CLAUSE; RELEASE.** If at the expiration of the primary term oil, gas, or other mineral is not being produced on the leased premises but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations are prosecuted with no cessation of more than one hundred twenty (120) consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from the leased premises. If, after the expiration of the primary term of this lease and after oil, gas, or other mineral is produced from the leased premises, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within one hundred twenty (120) days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than one hundred twenty (120) consecutive days, and if they result in the production of oil, gas, or other mineral, so long thereafter as oil, gas or other mineral is produced from the leased premises. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill such offset well or wells as a reasonable prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the leased premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.
6. **LEGAL COMPLIANCE.** In the event Lessee drills a well during the primary term, or any extension thereof, at the end of said primary term, this Lease shall be extended for 120 days and Lessee shall have a continuing option to drill additional wells on the leased premises so long thereafter as Lessee commences drilling operations on a well within said 120 day period and continues such drilling program by allowing no more than 120 days to lapse between the completion or abandonment of one well and commencement of drilling operations on the next well.
7. **REMOVAL OF FIXTURES; PROTECTION OF SURFACE.** Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on the leased premises, including the right to draw and remove all casing. Lessee shall have one year to remove all property and fixtures from property after the cessation of the production of oil, gas and minerals. Lessee shall bury all pipelines below ordinary plow depth, and no well shall be drilled within three hundred (300) feet of any residence or barn now on the leased premises without Lessor's consent. Lessee shall pay for all actual injury or damage done or caused by Lessee in its operations hereunder to any person or to any real property, fixtures or personal property.

8. **ASSIGNMENT CLAUSE.** The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns but no change or division in ownership of the leased premises, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered United States mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six (6) or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.
9. **NOTIFICATION AND CURE CLAUSE.** The breach by Lessee of any obligations arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part unless Lessor shall notify Lessee in writing via certified mail to the head of the Lessee's legal department of the facts relied upon in claiming a breach hereof, and Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument, and if Lessee shall fail to do so then Lessor shall have grounds for action in a court of law or such remedy to which Lessor may feel entitled.
10. **WARRANT AND DEFENSE OF TITLE.** Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages, or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such options, Lessee shall be subrogated to the rights of the party to whom payment is made and, in addition to its other rights, may reimburse itself out of any royalties or shut in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claims inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut in royalties, hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.
11. **FORCE MAJEURE CLAUSE.** Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of any Federal or State law, or any order, rule or regulation of governmental authority, or by virtue of any strike or labor disagreement, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

whether or not this lease purports to cover the whole or a fractional interest, then the rentals, shut-in royalties, minimum income payments, force majeure payments or royalties to be paid LESSOR shall be reduced in the proportion that LESSOR'S interest bears to the whole and undivided fee in accordance with the nature of the estate of which LESSOR is seized.

13. See Additional Provisions on Exhibit "A" attached hereto and incorporated herein for all purposes.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

X *Denise McElyea*  
LESSOR  
Denise McElyea

X \_\_\_\_\_  
LESSOR

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on the 26<sup>th</sup> day of March, 2008 by: Denise McElyea

*Sandy Barnes*  
Notary Public in and for the State of Texas



My Commission Expires:

10-05-2011

Exhibit "A" attached to and made part of the OIL and GAS Lease, dated this 26<sup>th</sup> day of March, 2008, between **Denise McElyea**, Lessor, and **Prime Resources, L.P.**, as Lessee.

This EXHIBIT "A" is a part of that certain Oil and Gas Lease identified above by date and parties covering 0.3333 acres in Tarrant County, Texas, to the same extent as if the provisions hereof had originally been written in said lease. In the event of a conflict between the lease provisions and the provisions provided in this EXHIBIT "A" the provisions of this EXHIBIT "A" shall be binding.

14. **AGREEMENTS AND PROVISIONS.** The following agreements and provisions shall supersede the provisions in the printed form text of this lease to the contrary, and shall inure to the benefit of, and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.
15. **DAMAGE/CLEANUP.** Lessee agrees and obligates itself to conduct its operations upon the leased premises as a reasonable and prudent operator and in such a way as to cause a minimum of damage to the leased premises and improvements thereon, including fences; and that should it become necessary to make any opening in the fences, Lessee will properly brace the fence on each side of the opening to prevent slackening of the wires and shall place substantial metal gates and cattle guards in such openings. Said gates and cattle guards shall be installed before drilling operations commence and said gates and cattle guards shall remain on said property unless otherwise directed by Lessor. Lessee agrees that within one hundred twenty (120) days after any operations hereunder, weather permitting, Lessee shall repair the damaged land to the fullest practical extent, including the filling and leveling of all holes, pits, ruts, roads, or excavations in the areas no longer to be used by Lessee; and upon termination hereof, to fully repair all damaged land not already repaired to the end that the land will be rendered to substantially the same condition as it was prior to commencement of such operations. Lessee shall pay for all actual injury or damages done or caused by Lessee in its operations hereunder to any buildings, fences, roads, roadway easements, culverts, merchantable timber, growing crops (including indigenous grasses and trees) or other improvements on the leased premises or to livestock on the leased premises which is not replaced or repaired by Lessee according to the terms of the lease.
16. **WATER USE.** Lessee shall not use surface water from watercourses, rivers, lakes streams, ponds and other impoundments on the leased premises or groundwater from any existing water well located on the leased premises for any purpose without the written consent of and appropriate compensation to Lessor. Lessee may drill one water well on the leased premises and use the groundwater from the water well for primary production operations for each oil or gas well the surface location of which is located on the leased premises. In the event Lessee drills water well on the leased premises, when Lessee's need for it has ceased, upon Lessor's written request, said water well and all pipe, pumps, casing and connections will be assigned to Lessor. Lessee shall not use groundwater from the leased premises for primary production operations in connection with any well located off of the leased premises. Lessee shall not use groundwater from the leased premises for secondary and/or enhanced recovery operations in

connection with any well whether located on or off of the leased premises without the written consent of and appropriate compensation to Lessor.

17. **SALT WATER DISPOSAL.** Lessee shall not use wells on the leased premises for disposal of salt water or other fluids produced off of the leased premises without the written consent of and appropriate compensation to Lessor.
18. **NO HUNTING/FIREARMS.** There shall be no hunting or fishing allowed on the leased premises, nor shall any firearms be brought on the leased premises by Lessee or its assigns, or by any employee, agent, contractor or representative of Lessee without the prior written consent of the Lessor.
19. **RETAINED ACREAGE.** Notwithstanding any provision of this lease to the contrary, after a well producing or capable of producing oil or gas has been completed on the leased premises, Lessee shall exercise the diligence of a reasonably prudent operator in drilling such additional well or wells as may be reasonably necessary for the proper development of the leased premises and in marketing the production thereon.
  - A. **VERTICAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary term it shall then terminate as to all of the leased premises, EXCEPT (1) 40 acres surrounding each oil well capable of producing in paying quantities and 80 acres surrounding each gas well capable of producing in paying quantities (including a shut-in oil or gas well as provided in Paragraph 3 hereof), or a well upon which Lessee is then engaged in continuous drilling or reworking operations, or (2) the number of acres included in a producing pooled unit, or (3) such greater or lesser number of acres as may then be allocated for production purposes to a proration until for each such producing well under the rules and regulations of the Railroad Commission of Texas, or any successor agency, or other governmental authority having jurisdiction. If at any time after the effective date of the partial termination provisions hereof, the applicable field rules are changed or the well or wells located thereon are reclassified so that less acreage is thereafter allocated to said well or wells for production purpose, this lease shall thereupon terminate as to all acreage not thereafter allocated to said well or wells for production purposes. Notwithstanding the termination of this lease as to a portion of the lands covered hereby, Lessee shall nevertheless continue to have the right of ingress to and egress from the lands still subject to this lease for all purposes described in Paragraph 1 hereof and as restricted by this Exhibit "A," together with easements and rights-of-way for existing roads, existing pipelines and other existing facilities on, over and across all the lands described in Paragraph 1 hereof ("the retained lands"), for access to and from the retained lands and for the gathering or transportation of oil, gas and other minerals produced from the retained lands.
  - B. **HORIZONTAL.** In the event this lease is in force and effect two (2) years after the expiration date of the primary it shall further terminate as to all depths below 100 feet below the total depth drilled (hereinafter "deeper depths") in each well located on acreage retained in Paragraph 19A above, unless on or before two (2) years after the primary term Lessee

pays an amount equal to the bonus originally paid as consideration for this lease. If such amount is paid, this lease shall be in force and effect as to such deeper depths, and said termination shall be delayed for an additional period of two (2) years and so long thereafter as oil or gas is produced in paying quantities from such deeper depths covered by this lease.

- C. **IDENTIFICATION AND FILING.** The surface acreage retained thereunder as to each well shall, as nearly as practical, be in the form of a square with the well located in the center thereof, or such other shape as may be approved by Lessor which approval shall not be unreasonably withheld or delayed. Within thirty (30) days after partial termination of this lease as provided herein, Lessee shall execute and record a release or releases containing a satisfactory legal description of the acreage and/or depths not retained hereunder. If Lessee fails or refuses to execute and record such release or releases within ninety (90) days after being requested to do so by Lessor, then Lessor at her sole discretion may designate by written instrument the acreage and/or depths to be released hereunder and record such instrument at Lessee's expense in the county or counties where the lease is located and such designation shall be binding upon Lessee for all purposes.
  - D. **SEVERANCE.** In the event this lease is in force and effect two (2) years after the expiration date of the primary term this lease shall be severed and shall be considered as separate and distinct leases on (a) the acreage and depths allocated to each producing well and retained under Paragraph 19A above and (b) the rest of the leased premises; and the term of each resulting lease caused by any such severance, and all the rights and obligations of Lessee under any such lease, shall apply separately to the acreage attributable to the particular lease under the foregoing severance, with every resulting lease being considered as separate and independent from every other lease.
- 20. **RELEASE.** It is understood and agreed that upon termination of this Lease, Lessee, its successors or assigns, shall deliver to Lessor a recordable release as to such portion or portions of this Lease which have terminated under the terms of the Lease.
  - 21. **INDEMNITY.** Lessee hereby releases and discharges Lessor, its officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees and agents arising out of, incidental to, or resulting from, the operations of or for Lessee on the leased premises or lands pooled therewith, or that may arise out of or be occasioned by Lessee's breach of any of the terms of provisions of this Lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless Lessor, its officers, employees and agents, their successors or assigns, against any and all claims, liabilities, losses damages,



actions, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, or strict liability, including attorneys' fees and other legal expenses, including those related to environmental hazards, on the leased premises or lands pooled therewith or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities on the leased premises or lands pooled therewith; those arising from Lessee's use of the surface of the leased premises or lands pooled therewith; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees, and their respective successors and assigns. Each assignee of this Lease or an interest therein, agrees to be liable for, exonerate, indemnify, defend and hold harmless Lessor, its officers, employees, and agents in the same manner provided above connection with the activities of Lessee, its officers, employees, and agents as described above.

22. **ENVIRONMENTAL HAZARDS.** Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium including soil, surface waters, groundwater sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, the leased premises, by any waste, pollutant or contaminant. Lessee shall not bring or permit to remain on the leased premises any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, and hazardous substances (as the term "Hazardous Substance." It is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C Sections 9601, et seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE, OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OR CONTROL OF THE LEASED PREMISES. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT THE LEASED PREMISES DURING LESSEE'S OCCUPANCY OF THE LEASED PREMISES IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR

SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT THE LEASED PREMISES. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.

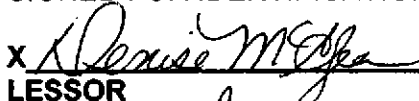

23. **VENUE/LEGAL FEES.** Venue for the enforcement of the terms and provisions of this lease will lie in Tarrant County, Texas. Should Lessee, its successors or assigns, for any reason fail or refuse to promptly perform and/or carry out any of the terms, conditions and agreements as herein set out, and Lessor deems it necessary to institute legal proceedings of any kind whatsoever thereon, Lessee shall be responsible for, and hereby agrees to promptly pay to Lessor all costs, provided Lessee is found to be in default hereunder. Lessor shall not be liable to Lessee for any costs associated with such legal proceedings, including reasonable attorney's fees and all court costs.
24. **ACCEPTANCE OF TERMS BY LESSEE'S ASSIGNS.** Any party acquiring an interest in this lease, by any form of assignment, contract, agreement, or sublease, shall be bound by all of the terms and provisions of this lease to the same extent as the Lessee is bound. Any assignment, contract, agreement, or sublease of all or any part or interest in this lease shall provide that it is made subject to the terms and provisions of this lease and the party to each assignment, contract, agreement, or sublease, accepts the same, subject to all the terms and provisions of this lease.
25. **POOLING CLAUSE.** Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in

facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within 90 days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

26. NO SURFACE OPERATIONS

Notwithstanding anything herein contained to the contrary, it is understood and agreed that Lessee, its successors or assigns, shall not enter upon nor use the leased premises for conducting any surface or drilling operations hereunder without the express written consent of the Lessor. Unless otherwise agreed to by written consent of the Lessor, any production from the leased premises shall be by way of pooling and/or unitization as provided herein, or by directional drilling from a surface location on other lands and bottomed under the leased premises.

SIGNED FOR IDENTIFICATION PURPOSES

X   
LESSOR  
Denise McElyea 

X \_\_\_\_\_  
LESSOR

**EXHIBIT "B"**

Being **0.1860** acres, more or less, out of the J Wilcox Survey, A-1709, Tarrant County, Texas, and being the same land more particularly described as Block 7, Lot 10, Of the Pelican Bay Addition, an Addition of Tarrant County, Texas as recorded in the Plat Records of Tarrant County Deed Records, located in Fort Worth, Texas.

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154